

CREDIT AND YOU

WOMEN'S ACCESS TO CREDIT IN ONTARIO

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Although the use of credit is a privilege rather than a right, everyone — regardless of sex or marital status — has the right to apply for credit and the right to be judged by the same criteria. With the cooperation of the credit-granting industry, the Government of Ontario has established Equal Credit Opportunity Guidelines to help ensure women's rights in the province's credit market. This booklet is designed to make women aware of their right to equal access to credit, to increase their knowledge of credit matters and to help them obtain and use credit wisely.

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Women and Credit in Ontario

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Most people need to make use of credit at some time during their lives. And everyone, regardless of sex or marital status, has a right to equal access to credit. The use of credit itself is a privilege rather than a right, but you do have the right to apply for credit and the right to have your credit worthiness judged by the same criteria that apply to everyone. Your application for credit should not be given special or different consideration because you're a woman, or because you're a woman who is single, married, divorced or widowed. Your application should be judged solely on your credit worthiness.

Many women as well as many people in the credit-granting industry are unfamiliar with the rights of women in the credit market. The lack of knowledge about women's rights to equal access to credit, along with misconceptions regarding women's credit worthiness, has led to some cases of discrimination against women seeking credit. Thus it's important for both women and creditors to know just how a credit application ought to be considered.

To ensure that women and men are treated equally in Ontario, the government has established Equal Credit Opportunity Guidelines, developed by the Ministry of Consumer and Commercial Relations in close cooperation with the credit granting industry. The fact that credit industry associations have endorsed the guidelines is indicative of their intention to apply them. A co-operative effort by creditors to ensure equal credit opportunities will go far in eliminating the need for new governmental legislation.

No matter how good the intentions of creditors are, however, it's still the women of Ontario who must provide the stimulus for the effective application of these guidelines. It's up to you to know how the equal credit opportunity guidelines apply to you and to require that they be used to ensure your rights in the credit market. Only then will common misconceptions about women begin to disappear. Only then will women be allowed to take full advantage of their economic status in Ontario's marketplace.

Equal Credit Opportunity Guidelines

Two major guidelines have been set out for consideration of an individual's application:

1. A married woman shall be granted credit in her own name if her credit qualifications, including her earnings or separate property are such that a man possessing the same credit qualifications and property or earnings would receive credit.

2. An unmarried woman shall be granted credit if her credit qualifications, property or earnings are such that a man possessing the same credit qualifications, property or earnings would receive credit.

To expand upon the general statements above, creditors shall continue to conduct their business affairs, holding to these principles:

1. Hold women and men to the same standards in determining credit worthiness.

2. Extend credit to a credit worthy married woman in her own name.

3. Refrain from refusing to extend credit to a newly separated, divorced or widowed woman solely because of a change in her marital status.

4. Apply the same standards to the extending of credit, including mortgage transactions, regardless of which spouse is the primary family supporter.

5. Refrain from requesting or using information about family planning in evaluating credit applications.

6. Observe the same standards in requiring credit data on the spouse regardless of the sex of the applicant.

7. Change in marital status shall not be the sole consideration in requiring re-application for previously issued credit cards or the renegotiation of the existing credit arrangements.

8. Consider a spouse's income, if necessary, when a couple applies for credit.

9. Consider alimony and child support as a source of income.

10. In appraising a women's credit worthiness, consider her credit history when single or married.

11. An individual's credit rating shall not be altered solely on the basis of the credit rating of the spouse.

12. A credit reporting agency shall, upon request of a spouse, keep a separate file on the husband and wife.

Credit is a form of borrowing. It is a way of obtaining goods, services, or money in exchange for a promise to pay for them at some future time. Using credit has both advantages and disadvantages.

What You Should Know About Credit

Advantages

- Credit allows you to have the immediate use of goods and services without having to wait and save for them.
- You can handle temporary and unexpected financial emergencies with the help of credit.
- Credit is a convenient way to make purchases and allows you to avoid carrying large sums of money.
- By providing you with a record of your purchases, credit can make budgeting easier.
- Credit gives you an opportunity to take advantage of sales and price reductions.
- Credit allows you to consider the purchase of goods of better quality than you could afford on your current cash income.
- Credit lets you make purchases without depleting your savings or liquidating your investments.

Disadvantages

- Readily available credit might encourage you to live beyond your means. If you have to spend too much of your income to meet credit payments, you might find that necessities such as food, clothing and shelter will become difficult to afford. Tying up your income this way leaves you with little of the financial flexibility you need.
- Because credit cards are so easy to use, you might become more prone to impulse buying.
- The costs of providing credit services inflate the overall price of goods and services.

- If you provide collateral to obtain credit and then fail to make payments, you might suffer a loss of valuables.
- If you have credit accounts at only one or two stores, you might lose the benefits of comparison shopping.

Sources of Credit

Banks offer a variety of consumer credit plans, with interest rates varying according to the type of loan, the borrower's credit history, and collateral security.

Credit Unions are financial cooperatives providing savings and borrowing facilities for members.

Trust Companies extend personal loans and are an important source of mortgage money.

Consumer Loan Companies are private businesses. Interest rates on loans under \$1,500 are regulated by the Canadian Small Loans Act. Interest rates for loans over this amount are not regulated, leaving each company to set its own charge for borrowing.

If you overextend your use of credit from various sources, you may feel that it will be to your advantage to consolidate all of your outstanding debts into one big monthly payment. BE AWARE that refinancing through a consumer loan company could remove your accounts from the protection of the Small Loans Act and leave you with much higher interest charges.

Sales Finance Companies buy sales contracts from retailers who don't want to tie up their working capital while a consumer pays by instalments. When you sign a sales contract, remember that you are also signing a promissory note that will be sold to a sales finance company. This company will be the agency that receives your

monthly payments. The Bills of Exchange Act provides some protection for consumers who have entered into these agreements. The Act requires a merchant to mark a promissory note with the words "Consumer Purchase" and holds the finance company responsible for product quality and service if the merchant defaults.

Life Insurance Companies lend money on the cash value of a life policy. The loan is secured by the value of the policy, and the outstanding loan is deducted in the event of death.

Credit Card Organizations issue identification cards that honour their customers' credit up to a predetermined amount. If customers pay their accounts within the billing period, no interest is charged. Overdue accounts are charged at a predisclosed rate of interest.

Retail Stores extend credit through charge accounts. No interest is charged on accounts paid within the billing period, but overdue accounts are charged interest on the outstanding balance. Although the monthly charges appear small for retail credit plans such as revolving, budget or homeowner accounts, the total interest rate charged over a year is often quite high. Thus long-term charge accounts are actually high-interest loans.

Your Credit Worthiness

To reduce the risks involved in extending credit, credit-lending agencies attempt to determine your credit worthiness, which is their measure of your promise and ability to repay the amount you borrow. Above all, creditors are looking for indications of stability and responsibility. Although their criteria may vary slightly, most lending agencies judge your credit worthiness ac-

cording to certain basic information about you. This information usually covers:

Your Character. Do you have a sincere attitude towards paying your bills? Have you shown responsibility in handling your finances in the past?

Your Income and Assets. Can you afford credit? Is your income steady? Do you own anything that is worth more than the amount you want to borrow?

Your Work Record. How long have you been employed? How secure is your job?

Your Living Accommodations. Do you own or rent your living accommodations? How long have you lived at your current address?

Your Reasons for Borrowing. Are you borrowing money as a necessary step toward fulfilling long-range goals or plans? Or are you borrowing to satisfy a whim?

Credit Reporting Agencies

Credit Reporting Agencies are private institutions that serve retailers and other credit granters by providing them with information about your credit history. The credit granters in turn use this information to judge your credit worthiness. It helps them to decide whether or not they should extend credit to you. Thus it's in your own best interest to keep your credit history unblemished by using credit wisely and by repaying your financial obligations responsibly.

From the first time you use credit, your local credit reporting agency will maintain a file of all information relating to your credit history. This file will contain basic details about you such as your full name, your current address and any former addresses, your present employer and any former employers, and the number of dependents you

have. If you are married, your husband's name and that of his employer will also be entered on your record. (In fact, his record will often be combined in the same file with yours unless you request otherwise.)

The credit reporting agency keeps a record of all your credit transactions, including when and where you borrow, how much you borrow, dates and amounts of payments, and outstanding debts. Your file may also contain information of public record (such as lawsuits or pending litigation) that might affect your ability to make payments.

Under the Consumer Reporting Act, you have the right to ask to see a credit reporting agency's file on you. This would be to your advantage particularly if you are concerned that the recorded information is inaccurate or outdated.



Establishing Credit

Whether or not you use credit wisely can significantly affect your lifestyle. Consider, then, whether you really need credit, keeping in mind that using it has both advantages and disadvantages. If you decide that you have a legitimate reason for wanting credit, check your finances to see if you can afford to use it. Determine whether enough of your paycheque will be left for credit payments after you've met all your necessary expenses.

When you've made a decision to use credit, it's time to establish your credit history. At this point, it's a good idea to make sure your savings and chequing accounts are in good order. If you have conscientiously maintained these accounts and kept them up-to-date, lenders will know you have the ability to manage your finances.

Shopping for Credit

Buying the use of credit is the same as buying other consumer goods and services — your chances of getting the best possible terms improve if you do some comparison shopping. You should consider the different types of lending agencies as well as the kinds of credit services offered and the interest rates charged. Compare interest rates and the other terms of credit agreements before you make a final decision. Remember:

- the larger the down payment, the smaller the instalments.
- quick repayment keeps interest charges to a minimum.

How to Obtain Credit

You can obtain credit and establish your credit history in a variety of ways. Examine the methods suggested below and choose those that suit your particular needs. Take care not to open too many accounts at once. You don't want to overextend your finances because of too many credit payments. And you don't want money-management problems that stem from having to keep track of too many accounts.

When you apply for credit the first time, keep in mind that you may be asked to have someone who knows you co-sign your application. A co-signer should be a responsible person with an acceptable credit history. Once you've successfully maintained an account, you can usually apply for other credit without a co-signer.

Following are some suggestions for obtaining credit:

- Apply for a charge account at a local department store or shop.
- If you drive, apply for a credit card from a gasoline company.
- Apply for your bank's package deal for personal banking services. This kind of account often includes an all-purpose credit card such as Chargex or Master Charge. Even if you decide not to use the credit card, the fact that you've been given one will be in your favour when you apply for other credit.
- Apply for a general-purpose credit card.
- Join a credit union, at your place of employment or in your community.
- Apply for a small loan from a financial institution where you are known. If you have been dealing with them regularly, they will be more likely to extend credit to you than to a stranger.

What if You Are Denied Credit?

Your application for credit may be turned down for any number of reasons. After all, lenders are not obligated to extend credit to anyone. Since credit granters often differ in their criteria for judging a person's credit qualifications, you may be able to obtain credit if you continue to shop around.

If your applications are turned down, take a closer look at your situation. Are you really credit worthy? Do you have a financial problem? Could you have been refused credit because you moved recently or started a new job? Or are you fresh out of school with little work experience? In order to improve your credit qualifications, it's important for you to find out why you've been refused credit. Lenders are legally required to give you their reasons, but you must be sure to inquire within sixty days of receiving notification that your application has been denied.

Although the fact that you are married is no longer to be considered a primary influence on your credit history or credit worthiness, it can alter your position in the credit market. The questions discussed in this section are provided to help you understand how marriage can affect your approach to the whole subject of credit.

Credit and the Married Woman

Can Marriage Affect Your Credit Status?

Yes. Your ability to obtain credit can be affected, particularly if your husband has a poor credit history. And, of course, his credit status can be affected if your history is poor. But credit granters should not let one spouse's poor status have any greater influence on the other's ability to obtain credit than if the situation were reversed, nor should one spouse's poor credit history be the sole consideration in determining the other's credit worthiness.

When you and your husband make a major purchase such as a car or a house from joint income, lenders will combine your credit histories and consider you as a unit. In this situation, one spouse's poor credit history can lessen the value of the other's good one.

Is Having a Credit History Important if You Are Married?

Yes. Whether you work or not, you should either maintain the credit history you had before you married or consider establishing one. Having your own credit history helps you become more independent by increasing your knowledge of financial matters and your ability to handle them. This enhances both your personal contribution to the marriage and your chances for successfully managing your own affairs should your marriage end. If you become separated, divorced, or widowed, an established and acceptable credit history is a particularly important asset. It makes obtaining credit easier and less expensive, especially at a time when ready cash could help ease adjustments you may be making in your life.



How Can You Maintain a Separate Credit History?

If you are working and taking care of your own credit accounts with your salary, maintaining a separate credit history is relatively simple. If you do not work and rely on your husband's income, however, you can still maintain or establish your own credit history. You can demonstrate your ability to handle credit by keeping a personal chequing account and accepting the responsibility to pay certain bills from it. By paying your bills on time and keeping your account up-to-date, you will have some proof of your credit worthiness even though the money is from your husband's income. This won't necessarily guarantee you credit, but it should make it much easier for you to prove to a lender that you are a financially responsible person.

Again, having your own credit history is particularly to your advantage should your marriage end.

To ensure that your history is kept separate from your husband's, it's a good idea to notify the local credit bureau that you want all information concerning your accounts maintained in a separate file under your own name. Your file and your husband's will be cross-indexed and both will be considered when you are pledging your joint credit as a family unit.

Can You Obtain Credit in Your Own Name?

Yes. If you have the acceptable qualifications, you can obtain credit in your own name and accept responsibility for all debts you contract. If you rely on your husband's income, however, lenders will often request that your husband co-sign any credit forms, thereby making him responsible for the debt if you fail to pay. Even if you have your own income and an established

credit history, your husband's signature may be required for a major credit transaction. Lenders are not necessarily being discriminatory when they ask for a co-signature. They just want to make sure that each spouse is aware of the other's credit obligations. If the situation were reversed, you would be asked to co-sign for your husband's credit transaction.

Can You be Asked for Information About Your Husband When You Apply for Credit?

Yes. Most lending agencies request information about your husband and his employment. And their reasons may be quite legitimate, especially if you are using your husband's income or if you are applying for more credit than you yourself can afford. But if you have acceptable qualifications for obtaining credit and plan to maintain the account on your own, you are not obliged to provide the requested information. You can apply this rule of thumb: You should not have to give information about your husband if he would not have to give information about you in a similar situation.

Can Your Name be on a Credit Card Issued on Your Husband's Account?

Yes. You can have your own name put on a credit card issued on an account in your husband's name. But you should be aware that this is not the same as obtaining credit in your own name, since your husband keeps the responsibility of maintaining the account and making the payments.

Many women prefer their first names be used on a credit card instead of their husband's (for example, Mrs. Mary Smith rather than Mrs. John Smith). If a card is sent to you with your husband's first name on it and you want your own name used, simply return the card and ask that it be changed. Most credit card companies will agree to your request.

Can You Use Your Maiden Name After Marriage?

Yes. There is no law that requires you to adopt your husband's name. You are entitled to use any name you want as long as you do not intend to use it for fraudulent purposes. Although most women still prefer to adopt their husband's names when they marry, some women want to keep their maiden names. Regardless of the name you prefer to use, you can have only one legal name on official documents. If you decide to keep your maiden name after marriage, you can retain it as your legal name on all official papers. If you adopt your husband's name and have all documents changed accordingly, your new name becomes your legal name, even if you use your maiden name in other circumstances.

If you adopt your husband's name and later decide you would prefer to use your maiden name, you can request that everyone, including credit agencies, use your maiden name. It will not be considered your legal name, however, and you cannot force anyone to recognize it as such.

When is Your Husband Responsible for Your Debts?

Since the law requires your husband to support you, he is responsible for your debts if you pledge his credit for the necessities of life. If he co-signs credit agreements issued in your name, he is also responsible for any debts you fail to pay. Your husband can withdraw your privileges to use his credit if he can prove that he is already providing you with enough goods and services to maintain your standard of living. All he has to do is to notify the people you do business with to stop extending credit to you.

When Are You Responsible For Your Husband's Debts?

If you co-sign a credit agreement issued in your husband's name or if he contracts a debt on your behalf and with your consent, you are responsible if he fails to pay. (The Dependent's Relief Act and the Divorce Act provide some exceptions. For more information, a publication entitled *Law and the Woman in Ontario* is available from the Women's Bureau, Ministry of Labour, 400 University Avenue, Toronto.) Legal reforms are now being considered that could make you just as responsible for your husband's support as he is for yours.

If You Work, How do Lenders Consider Your Income When You and Your Husband Apply for a Mortgage?

Until recently, mortgage lenders would not consider your salary as part of your family's income because they assumed you would stop working. When the Central Mortgage and Housing Corporation (a federal governmental agency) began to take into account both the husband's and wife's total income on mortgage applications, other lenders began to follow suit. Some lenders still consider only part of a wife's income, however, so it may be necessary to apply to others to ensure that your total income is taken into account.

You do not have to provide any information about your family planning when applying for a mortgage or any other form of credit.

Credit and the Separated, Divorced or Widowed Woman

Under the Equal Credit Opportunity Guidelines, the government and the credit-granting industry have agreed that a change in your marital status is in itself no reason to deny you access to credit. If changing your status seriously affects your financial situation, however, your credit worthiness may be legitimately in question.

Whether you become separated, divorced, or widowed, you should notify the credit reporting agency of your change in status so they can keep their information about you up-to-date. If the agency file on you has been combined with your husband's, ask them to separate your accounts. Your chances of obtaining credit will improve if you can show that you maintained certain accounts responsibly. An acceptable credit history or proof of your credit worthiness is very important if you need money, especially if you're newly widowed and your husband's estate has been frozen.

While a divorced woman has no right whatsoever to use her former husband's credit, a deserted or separated woman can continue to pledge her husband's credit for the necessities of life if she cannot afford to maintain her standard of living. If you enter into a separation agreement, your rights to use your husband's credit may be bargained away in exchange for an allowance. If your husband fails to provide the allowance, however, you can use his credit again.

Under the credit guidelines, support payments as well as alimony are to be considered a source of income when you apply for credit.

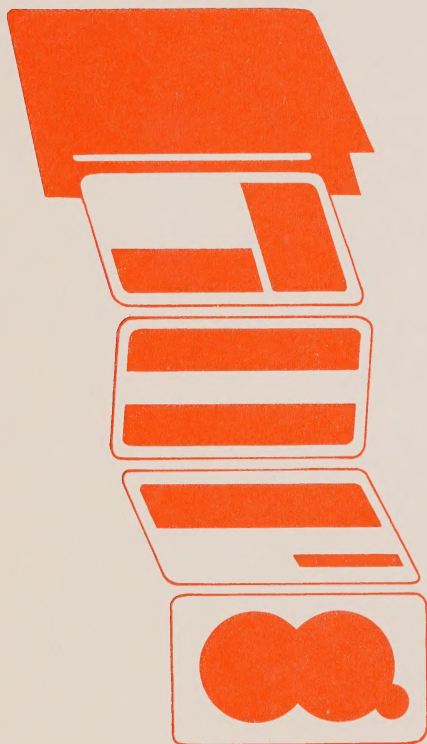
When Handling Credit Becomes a Problem

Trouble can strike anyone. If you are unable to meet a credit payment for any reason (overextended finances, loss of work, financial emergency), contact the credit granter's agency immediately, before your bill is due. You and the creditor may be able to negotiate an alternate plan for payment. It's in both the creditor's and your best interest to establish terms you can meet — the credit granter gets the money and you keep your good credit history. Above all, avoid failing to pay your debts. Neglecting your credit obligations will tarnish your credit record and can lead to repossession of merchandise or loss of collateral.

If you are having trouble handling credit, it's important to put your finances in order as soon as possible. Don't hesitate to seek financial counselling from banks, credit unions, credit reporting agencies, or the credit-counselling agencies that operate in most cities.

If You are Discriminated Against

Although credit-granting policies and practices have changed considerably in the past year or so, the whole credit-granting industry will not necessarily be aware of all the changes. If you are denied credit and believe you have been discriminated against because of your sex or marital status, ask to see the senior credit officer of the agency involved. Be prepared to assert your claim and to back it with facts. If your request for credit is still refused and you are not given a satisfactory explanation, contact the Women's Advisor of the Ontario Ministry of Consumer and Commercial Relations, 555 Yonge Street, Toronto.



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